ESSAY AND LETTERS

ON

BI-METALLISM,

BY

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PREFACE.

Having occasion to visit Buenos Ayres last year, I found in conversation with the President of the English Literary Society there that he sympathised with bi-metallic views; and at his request I prepared the following paper, which was read before the Society and gave rise to an interesting discussion on the subject. In laying it before English readers I have not thought it well to modify it in any material way, as in viewing some of the phases of the question from an outside standpoint they may perhaps be more easily understood, especially by those whose occupations have not brought the subject of foreign exchanges practically before them.

Manchester readers may remember the correspondence which appeared in the local newspapers two years ago on this subject. From the letters which I then published I have selected two and included them in this pamphlet, one as it recalls the earlier stages of the discussion here, and the other as it deals with some objections not referred to in the present paper.

Events are showing that the subject cannot be dismissed, and believing that these remarks may be of service to some in understanding it I venture to lay them before the public.

ROBERT BARCLAY.

Manchester, 10th March, 1881.

ESSAY

ON

BI-METALLISM,

Read before the English Literary Society of Buenos Ayres,

on 26th May, 1880.

Many suppose that bi-metallism is something new. The name may be new, but what it serves to indicate, viz., the use of gold and silver as money, is nearly as old as the history of man. The advocates of bi-metallism do not propose anything revolutionary in its character; on the contrary, their action is conservative, and their aim is to resist what is leading to, and must ultimately end in, a disastrous revolution in the world of money.

For seventy years prior to 1874 bi-metallism was practically in force for all the purposes of international commerce. Individual nations had different standards—some had gold alone, some silver alone, and others gold and silver; but owing to the uniform relative value of the two metals, silver

and gold throughout the world formed practically one mass of metallic money, and the par of exchange between a gold country and a silver country, or between either of these and a gold and silver or bi-metallic country, was for all practical purposes a fixed value, varying almost as little as if all the nations of the world had been mono-metallic and had had one metal alone as the standard of value.

How this uniformity in the relative value of gold and silver was maintained did not engage the attention of economists. The fact was accepted, and it seemed almost an arrangement of nature which the most violent variations in the relative supplies of the two metals could not disturb. But a day came when the true cause of this uniformity was revealed. The promulgation of a new monetary law at Berlin, and the decision of a monetary conference at Paris to suspend the coinage of silver, shewed the world that this uniformity of the two metals had been dependent on the action of the bi-metallic system of France, backed by the equilibrium which was maintained by the counteracting influence of silver mono-metallic countries such as Germany, as against gold mono-metallic countries such as England. With the French law in abeyance, and the general equilibrium disturbed, the world quickly saw that it was human law and not the natural law of supply and demand that had linked the two metals so effectually and so beneficially together.

While silver was always sold in London as a commodity, it was also exchangeable in Paris at the fixed rate of 15½ to 1 of gold. This exchange point of France necessarily ruled the price in London. As long as free mintage was maintained in Paris, no one would sell silver in London at a less price than would result from sending it to Paris and getting it exchanged for gold at the legal rate, nor would anyone buy silver in London at a higher price than would result from sending gold to Paris and getting it exchanged for silver.

The subjoined table shows the ratio of price between Gold and Silver from the year 1801 to 1878; also the annual supplies of each metal as far as I have been able to obtain them, with a further column showing the proportion which the supply of Gold bore to that of Silver.

Date.	Ratio.		Supply. Gold. Millions.	Supply. Silver. Millions.	Proportion Gold to Silver. 1 to
			£	£	
1801—1810	15.61		2.6	7.7	2.97
1811—1820	15.51		1.6	3.6	2.25
1821—1830	15.80				
1831—1840	15.67		—	—	—
1841—1850	15.83		—	—	—
1849	15.80		5.4	7.8	1.44
1850	15.83		8.9	7.8	0.88
1851	15.46		13 5	8.0	0.59
1852	15.57		36.6	8.1	0.22
1853	15.33		31.1	8.1	0.26
1854	15.33		25.5	8.1	0.32
1855	15.36		27.0	8.1	0.30
1856	15.33		29.5	8.2	0.28
1857	15.27		26.7	8.1	0.30
1858	15.36		24.9	8.1	0.32
1859	15.21		25.0	8.2	0.33
1860	15.30		23.9	8.2	0.34
1861	15.47		22.8	8.5	0.37
1862	15.36		21.6	9.0	0.42
1863	15 38		21.4	9.8	0.46
1864	15.40		22.6	10.3	0.45
1865	15.33		24.0	10.4	0.43
1866	15.44		24.2	10.1	0.42
1867	15.57		22.8	10.8	0.48
1868	15.60		22.0	10 0	0.45
1869	15.60		21.2	9.5	0.45
1870	15.60		21.4	10.3	0.48
1871	15.59		21.4	12.2	0.57
1872	15.63		19.9	13.1	0.66
1873	15.90		19.2	17.9	0.93
1874	16.15		18.2	14.3	0.79
1875	16.76		19.5	16.1	0.82
1876	Highest 20.17 Lowest 16.62	17.68	19.0	14.8	0.78
1877	Highest 17.58 Lowest 16.84	17.22	19.4	16.2	0.84
1878	Highest 19.00 Lowest 17.14	17.92	17 3	14.7	0.85

A glance at the ratio column will show how small were the variations up to 1874, and how violent they became after that date. In 1876 the action of the German Government in selling their demonetised silver began to tell with full force. In that year there was also a scare with regard to the supplies of silver expected to come from the new silver mines in Nevada and California, and the price was run down to 46¾d. in the month July of that year; by the month of January 1877 the price had rebounded to 58¼d.,—a rise of 24,60 o/o. in six months. In March 1879 it stood at 49d., and to-day the price is somewhere about 52d. Everyone knows that the exchanges of silver countries on England had to follow these violent fluctuations, and the losses and disorganisation of business which have resulted therefrom are also too well known.

Let me look back for a moment at the causes which led to the action of Germany in demonetising her silver. In the year 1867, when the Paris Exhibition was held, a number of currency reformers met in Paris with the idea of discussing some system of universal currency by which the coins of all nations might be harmonised. A very laudable object, no doubt. These reformers, however, found that a serious obstacle to the realisation of their schemes existed in the different standards of value which the leading nations had adopted, and from that time there began a propaganda in favour of gold mono-metallism. The English system was regarded as the best, and England's commercial prosperity was supposed to have resulted largely from her monetary system.* The idea was that gold should become the standard of all the richer, while silver might remain the standard of

* The following is extracted from a speech delivered by Lord Beaconsfield, as Lord Rector of the University of Glasgow, in 1873:—" I attribute the great monetary disturbance that has occurred, and is now to a certain degree acting very injuriously to trade, to the great changes which the Governments in

the poorer nations. These ideas had made considerable progress in France when the Franco-German war commenced. Had it gone differently, perhaps France would have parted with her silver as Germany has done, but you all know the issue of that war and its consequences. France lay at the feet of her conqueror, and with the indemnity money in hand Germany thought she had the power of gaining a further victory over her rival, by getting a-head of her in her monetary system. The currency of the German empire sadly needed reform, but more than this was decided upon; led away by the views of the panegyrists of gold monometallism, she decided to change from silver to gold as her standard, and thus put herself on a line with England. How much the operation of attempting to get rid of her silver and of replacing it with gold has cost Germany the world only roughly knows. The German nation is supposed now to doubt the wisdom of making the change, and after four years of transition it still remains incomplete—in fact suspended, as regards a considerable amount still circulating in certain denominations of coins, and as these are convertible at 15½ to 1, she is so far practically in the same position as France. Though, considering the comparative smallness of the amount now remaining, it is not perhaps a matter of great European moment what she may do further.

The economists who urged the adoption of gold monometallism seemed to think that gold and silver would always continue as they had done about the same relative value. They did not foresee the effect of their propaganda on the value of silver. It required, however, only one nation to

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Europe are making with reference to their standards of value. . . .
I think that a country which has a gold standard should, to use a celebrated expression, think once, twice, and thrice before it gives it up. But it is the greatest delusion in the world to attribute the commercial preponderance and prosperity of England to our having a gold standard."

become a convert to their views to bring about all the disastrous consequences we have seen, and already the principle of gold mono-metallism is self-condemned. The world sees that it cannot be extended without entailing untold evil, and all monetary authorities—those who rank themselves as the opponents of bi-metallism, as well as those in favour of it—are now equally opposed to the extension of gold mono-metallism. All equally wish to see silver as well as gold maintained as money. But how is it to be done if not in the way that bi-metallists advocate? Their opponents do not say. They only say—"England must do nothing in the matter." Such a course is not only selfish but illogical. If nothing is done nation after nation must give up silver as its standard, and it is only the magnitude of the danger that makes them pause to see if nothing will be done by the leading nations in the direction of bi-metallism. France still waits, but she cannot wait indefinitely. Her currency laws are founded on bi-metallism, and must ere long be repealed if they cannot be put in force; at present they are simply in abeyance as regards the free coinage of silver. Throughout France any amount of coined silver can be exchanged for gold at 15½ to 1, but nothing fresh can be coined. Her bi-metallic system with its free coinage of silver for all comers had, as we have seen, linked gold and silver together not for France only but for the world, but like some grand old bridge of solid masonry held together more by the cohesion of its materials than by its structural form, it gave way, after resisting many a strain, under a pressure it was never intended to bear. It can never again be restored on the same lines; a new bridge must be constructed, resting on the broad basis of the general accord of nations. France and the United States would willingly join in such an accord, but the co-operation of one other power is necessary to initiate bi-metallism. That power is England, and

whenever she can be induced to lay aside old prejudices and join in a convention, the whole thing will be accomplished, and gold and silver be again practically regarded as one metal for all the purposes of international trade.

I have referred to the equilibrium formerly maintained between silver countries and gold countries, and will now indicate more fully what I mean by this.

The gold and silver money existing in the world in the year 1870 was estimated by Mr. Ernest Seyd to amount to about 1,350 millions sterling, consisting of £700 millions gold and £650 millions silver. The distribution of this amount was as follows:—

	GOLD. Coin and Bullion Full value.	SILVER Coin and Bullion Full value.	SILVER Subsidiary Coinage Debased value.
England	£130 millions	£ — millions	£ 15 millions
France	260 "	70 "	14 "
Germany	30 "	60 "	16 "
Belgium, Holland, Portugal, Denmark, Sweden, and Switzerland	40 "	45 "	10 "
The rest of Europe	60 "	30 "	25 "
Total in Europe	£520 millions	£205 millions	£ 80 millions
United States.........	30 "	...	5 "
Other States in America, the Colonies, and generally distributed...............	140 "	50 "	10 "
India, China, and the East	10 "	250 "	40 "
	£700 millions	£505 millions	£145 millions

Mr. Seyd divides the countries here embraced into *four* groups, the first three having metallic currencies and the

fourth having no metallic currency. The first group consisting of—

England, Portugal, Chile, and Australia	Under the gold valuation.

The second group consisting of—

France Belgium, Switzerland, Spain, New Granada, Ecuador, Peru	Under the gold and silver valuation.

The third group consisting of—

Germany, Holland, Sweden, Norway, Denmark, Mexico, Central America, India, and China...	Under the silver valuation.

The fourth group consisting of—

Turkey, Brazils, United States, Italy, Greece, Austria, and Russia...	Having an inconvertible paper valuation.

Mr. Seyd further estimates that under the gold valuation there are in a country—

88	per cent.	Gold coin, legal tender.	
10	"	Silver coin	Token money.
2	"	Copper coin	

Under the gold and silver valuation—

60	per cent.	Gold coin	Legal tender.
28	"	Silver coin	
10	"	Silver depreciated	Token money.
2	"	Copper...............	

Under the silver valuation—

75	per cent.	Silver coin, legal tender.	
13	"	Gold coin, current, but not legal tender.	
10	"	Silver coin, depreciated	Token money.
2	"	Copper coin	

In 1870 there was therefore the bi-metallic group forming a centre, and on either side the gold and silver groups. The former with its 88 per cent. gold, forming a counterpoise to the latter with its 75 per cent. silver.

Keeping this arrangement in view you can understand how it was that no undue strain came upon the mints of France and the other States of the Latin Union which held to the bi-metallic system. Gold and silver alike passed freely through these mints, and, as a rule, there was no undue accumulation of either metal. The gold which they could spare found its way to the gold States, and the silver to the silver States. But when Germany and the smaller States which she influenced retired from the silver group and joined the gold group, this equilibrium was destroyed. Germany had 60 millions in silver to dispose of, and she required 60 millions in gold to take its place. In alarm as we have seen, and fearful that she might be denuded of her gold as well as inundated with silver, France closed her mint, and the system which had secured the uniform relative value and free use of silver and gold throughout the world collapsed. Silver thenceforward, for international purposes, became nothing more than a commodity, while gold asserted itself as the only and supreme standard throughout the world. *"El Rey de todos los Reys,"* in the empire of money.

It is just possible that if France and the other bi-metallic countries had held boldly to their system the danger might have passed, and that the excessive supplies of silver sent from Germany to her mint might have found their way, as they had done formerly, to other countries where they were required. But why should France be exposed to such a risk? It was meet also that the world should recognise the beneficent services she had been rendering, and that other nations, such as England, which had benefitted so largely by her action, should see the necessity of also bearing their part in maintaining the proper relation of the two metals as money.

The world was staggered by the consequences which ensued upon the closing of the French mint. There was the grossest ignorance prevailing everywhere regarding the

matter : and to intensify the difficulty, the rich results which were reported as being obtained from the working of the new silver mines in Nevada and California, especially from the Comstock lode, for a while caused the greatest alarm lest silver might become as cheap and plentiful as copper or tin. This however proved only a shortlived scare, and of late the output of new silver has declined as quickly as it increased.

The theorists who opposed bi-metallism pointed to this increase in the supply, and ascribed the whole disturbance in the price of silver to the natural law of supply and demand. They overlooked or shut their eyes to the fact that as sudden and far greater variations in the supplies of the two metals had frequently occurred during the previous seventy years without disturbing the relative value of the two metals. The table to which I have already referred also shows this (see page 7). In the parallel column against each year will be found the relative supply of the two metals, and from this it will be seen that while the ratio in price of the two metals kept almost uniform, the proportionate supply had varied from 2·97 of silver to 1 of gold, to ·22 of silver to 1 of gold.

In the early years of the century there had been a great increase in the relative supply of silver; and again on the discovery of the gold mines of California and Australia the supplies of gold sprang from 5 millions in 1849 to 36 millions in 1852 without any corresponding increase in the supply of silver; yet the price of silver remained the same. These facts effectually dispose of the idea that it was the supplies of silver that led to its depreciation. Under the break down of the old system they intensified the difficulty, but apart from this they might have had no effect.

I will now notice briefly a few of the practical effects of the disturbance in the relative value of gold and silver. I have shown that prior to 1874 the two metals were practically one in constituting the metallic money of the world. When

economists spoke or wrote of money in connection with international trade they meant the precious metals—silver and gold, not one of these metals only—and the two together in their aggregate volume formed the metallic medium of exchange, by which the trade of the world was carried on. Economists justly assert that while money is a standard of value in relation to other commodities it is also itself a *commodity,* and as such is subject to the same laws which rule the value of all other commodities. Scarcity must enhance its value, and abundance must diminish its value. Of course, in these remarks I am keeping inconvertible paper money out of sight altogether, but your experience here with paper money of this class will enable you at once to estimate the force of these remarks. You all know from too painful experience that increased issues of paper dollars have led to the diminished value of your paper money; and you have seen also that by contracting the amount in circulation by periodic burnings*, or even by keeping the amount stationary while the wants of the country increased, increase in the value of that money has taken place; and so it is with the metallic money of the world in relation to the purposes it has to serve. If it is increased, its value in relation to all other commodities must fall; if it is contracted, its value in relation to these must increase. Now take, for illustration, the estimated figure of £1,350 millions, or say £1,400 millions as the value of the metallic money of the world—half this amount being gold and the other half silver. Suppose that amount were rapidly diminished, values of commodities everywhere would fall; suppose it were increased, values would be augmented. If silver were everywhere effectually demonetised, this would reduce

* In many of the laws authorising fresh emissions of paper money in Buenos Ayres, it was also enacted that certain amounts of such emissions should be regularly withdrawn from circulation and burned.

the metallic money in the world to £700 millions of gold, and as this £700 millions would have to do the exchange work which is at present done by £1400 millions of the two metals, its value would be correspondingly increased. One sovereign would have the same purchasing power as two sovereigns now have, prices of commodities would seem to fall to this extent in relation to money, but in reality it would be that money had become enhanced in value owing to its scarcity. It requires little demonstration to prove that this would be an immense evil. The whole balance of values would everywhere be disturbed. Not to speak of the immediate loss to the holders of silver, every debtor who owed gold would have practically double the amount which he owed to pay. National loans contracted in gold could not be discharged without the surrender of double the property which these loans when made could have bought. In fact, everywhere the debtor would suffer and the creditor gain. Of course, this is putting the thing in an extreme light, but it serves to show how it must work. With partial demonetisation and the old equilibrium destroyed, we have already seen a great depreciation in the value of silver, and as the process goes on, as go on it must, unless effectually

NOTE.—Referring to the legislation of 1816, establishing the gold standard, it may be here noticed that its effect in connection with the national debt might have been very adverse to the nation. The £850 millions which then existed had all been contracted on a silver, or on a bi-metallic basis, that is, the nation had received from the bondholders silver, or indiscriminately silver and gold and in equity the nation had the right of repaying what it had borrowed on the same basis; but the law of 1816 stepped in between the bondholders and the nation, and said that this debt must be recognised as a gold debt. As we have seen, owing to the general action of the bi-metallic system over the world in maintaining the old ratio of value between the two metals, no practical injustice ensued, though it might have been otherwise. Now, however, if the demonetisation of silver is allowed to go on, this question may become important, and the British taxpayer feel that he is suffering under an arrangement which in this phase of it was morally wrong.

arrested by the adoption of bi-metallism, the value of silver must continue to decline. Silver and gold take their value mainly from their being used as money. Take away from either of them this function and you at once reduce their value to their worth as commodities dependent on the amount required for art and industry. As regards silver, we know that only a small portion of the annual production could be absorbed by the trade of the silversmith. And where could the existing stock find employment ? For when we come to deal with a precious metal it is not only the annual supply, but the accumulated stock that has to be taken into account. Those who are opposed to bi-metallism make light of this difficulty. They say in a general vague way that silver will always be absorbed in the East, without any clear apprehension of the causes which lead to silver being sent there. It goes there just now simply because silver is the only legal money in the East, and it can go there only in the quantities necessary to adjust the balance of trade. These Eastern nations have no special preference for silver. They use it largely, no doubt, in ornaments, and they hoard it in coin, because in whatever form it is, a certain weight is always equal to a certain amount of money, but if it were not legal money this would not take take place, and if Europe altogether discards silver as legal money India must ere long do so also. Gold would then be the legal standard in India as well as other places, and whenever the natives of India found that silver was not money, but something of uncertain value for which they must accept a varying price, they would immediately cease to hoard it, and India, instead of absorbing what was set free from Europe, would begin to pour forth the untold accumulations of the metal which she is known to possess. After that, where would a market for silver be found, and to what point would its price fall ? England cannot afford to trifle with the interests of India in this matter. She has been the

greatest sufferer from the recent disturbance. The finances of her government have suffered, and the official class have felt the pressure of it in their incomes; but what has happened is little compared with what may yet befall her, if the universal demonetisation of silver were to take place, for she would then be face to face with the immense sacrifice which the disappearance of her accumulated wealth in silver would involve.

In speaking of money, it is too often regarded simply as the medium of exchange. Its functions, as one writer asserts, being merely "to express by a kind of short hand the relative value of one commodity as compared with another." This is so far true, but the attribution to the precious metals of these functions of exchange gives them, as we have seen, a substantial value as wealth. Who doubts that the gold in the vaults of the Bank, and circulating throughout England, constitutes so much real wealth—and so with silver money also where it exists. If silver and gold were equally and perfectly distributed over the world, I admit there would be no diminution of the gross monetary wealth of the world if silver were demonetised; for as we have seen, the value of gold money would be enhanced as the value of silver money declined. But, as we know, the two metals are not equally distributed, that is, there are countries whose circulation is gold with little silver and others whose circulation is silver with little gold. Silver countries, therefore, must lose in monetary wealth to the extent of the depreciation in silver, and have no counterpoise in the increased value of gold, for they have little in circulation to be enhanced. And owing to this same inequality of distribution gold countries do not immediately benefit much, because there being little silver in circulation there, there is no vacuum of exchange wants to supply. The net result of the fall in silver, therefore, as

things are at present, must be a very heavy loss in monetary wealth to the silver countries without any immediate important compensation from the enhanced value of gold. I think that in this lay a main cause of the prolonged depression of commerce which we lately saw. The silver countries undoubtedly all became poorer in monetary wealth as silver declined in value, and commerce was paralysed in consequence.

Anyone who has looked into the matter knows that in relation to the immense settlements which are made without the intervention of metallic money (say by Bills, Clearing Houses, &c.), the extent of the transactions in which the latter is used appears trifling. But after all, it is the basis on which the former rests and the pivot on which all turns, and we know that the reserves in the Bank of England cannot decline a few millions without affecting commerce everywhere; and the contraction from the depreciation of silver as surely, though not so visibly, must have had its effect. There is a mysterious power which the monetary reserves of the world possess, and writers on all sides of the question have shown that the periods when the largest increase of the precious metals took place were those marked by the greatest advances in commerce. The period succeeding the conquests in South America by Spain, with the large influx of gold and silver into Europe which resulted, witnessed such an advance. Again, after the gold discoveries of California and Australia such another period was experienced, and of late we have seen that even the setting free of the precious metals from what seemed an adverse cause, has led in the opinion of many to the revival in trade which we are now witnessing. I refer to the gold sent from England to the United States of America to pay for grain which the failure of last year's crops in England rendered it necessary that England should import. The arrival of that gold in America gave a

mighty impulse to her internal trade. This in turn sent America as a buyer to all the European markets and caused a reaction which has since spread to all branches of trade, and even here we are now enjoying the benefit of it in the increased demand for all classes of our produce.

I hold in opposition to the contention of mono-metallists, that a full supply of metallic money is good for trade, and that its contraction, in whatever way, is the reverse. Those who maintain the opposite, and argue that money is simply a medium of exchange, are unconsciously perhaps, but really, basing their arguments on the same positions as those on which all paper currency fallacies rest. They virtually ignore the importance of the intrinsic value of the precious metals, and fail to take into account the vast amount of monetary wealth which these metals represent. This monetary wealth is moreover that part of the wealth of nations which is most potent as a basis of credit, and in consequence of this its inccease or decrease must always tell with multiplying force upon the commerce of the world.

You here, with your practical knowledge of exchange transactions can comprehend and appreciate the difficulties to which this question has given rise in conection with international exchange better than the most learned statistician pondering over figures in London. In many countries the matter is complicated by the premium on inconvertible currency and foreign exchange rates being mixed up, but here in your transactions paper currency variations and the exchange quotations are kept distinct. You quite understand that on a metallic basis—say on a gold mono-metallic basis—as your own exchange quotations on Europe practically are, the par value is the exact equivalent of the coins of one country measured in the currency of another. If the course of trade requires the money of England to be sent here, it

will be worth here its par value plus the cost of transmission of specie. If on the other hand the balance of trade were against Buenos Ayres, and specie had to be sent to England, then the money of England would only be worth here its par value, minus the cost of transmission. You all know that there are other minor causes such as rates of interest, usance, &c., that affect the rates, but in the main the figures which indicate par value plus the cost of transmission of specie, and par value minus that cost, are the two points which mark the limits of variation, beyond which quotations cannot go far. Par value is like the polar centre of the compass over which the needle point of exchange quotation oscillates, and towards which centre it will always tend to return. In the case of silver countries prior to 1874, say for instance India and England, the par value of the rupee was almost as steady as if both had been gold countries. The sterling value of the rupee varied just as your patacon varies under the conditions which I have described; but the variations in the relative prices of gold and silver were so small that there was hardly any perceptible variation from this cause, and in all average adjustments throughout India 2s. per rupee was the recognised average relation of the two currencies. Now, however, the matter is different; silver fell, as I have indicated, in 1876 to 46¾d., and the exchange value of the rupee fell with it to 1s. 6½d. Silver rebounded immediately in 1877 to 58¼d., and rupee exchange rose with it to 1s. 10d. Last year for a time, with silver at 49d., it stood at 1s. 7½d., and to-day, with silver at 52d., it is quoted at 1s. 8¼d. What was formerly the polar centre of par value is now itself a shifting point, and silver countries such as India have no more fixity in the value of their silver money than you at present have with your inconvertible paper.

But let us see for a moment further how the present system works. The London market rules the price of silver. It is sent

to London not to be stored and dealt with as any other commodity, but it is generally remitted as money, and the shippers wish it permuted at once into sterling. A number of shipments arrive together at a moment when there is no demand. It dams up at once as against a dead wall until it forces an outlet at a reduced price; a fortnight later there is no stock in the market, and some petty demand is able to drive up the price again one or two per cent. Meantime all the silver exchanges of the world are affected by these comparatively unimportant transactions. But why should this intolerable evil continue? Short of the cutting out of silver with all its fearful consequences, there can be no remedy but in the general adoption of bi-metallism. Bi-metallism once established, the two metals would be virtually one, being mutually exchangeable at the fixed ratio; the sale price of silver would be on the same basis as that of gold ingots now is. Silver would not require to go to London to have its value determined. Just as the fixed relation of the gold coins of all nations, which your law has wisely decreed*, enables those foreign coins to remain and pass among you without question as money, so, in the case of bi-metallism, silver would not be able only to find its way into the monetary mass through the narrow defiles of the London market, but in a thousand gentle streams it would quietly come in, not to disturb as at present, but to add with its allied metal to the general prosperity of the world.

You merchants of Buenos Ayres may think that it is not a question that affects you. In a sense, in your present commercial relations with Europe, it does not, but the country generally has a large stake in the rehabilitation of silver. In a

* In Buenos Ayres the National Government has fixed by decree the relative value of all the principal gold coins of foreign nations, to the nominal gold patacon of account. Thus the English sovereign is fixed at $4.88, the French 20 franc piece at $3.88, the Chilian condor at $9.15, &c., and at these rates they are legal tender throughout the Republic for gold payments.

very unsatisfactory form it is the currency of the Interior provinces, and if ever the currency of the country generally is to be put upon a satisfactory footing, it will be by the aid which its silver supplies will afford. Until bi-metallism becomes general, however, nothing can be done; but, were that once the law of the world, the day would not be far distant when your currency difficulties would be satisfactorily solved. As interested also in the general prosperity of the world, and as Englishmen, proud of the commercial greatness of your country, it demands your attention. I believe bi-metallism to be the necessary corollary of Free Trade, and what is required to secure the free circulation of capital is just as necessary as the removal of everything that hinders the free exchange of commodities.

I will conclude by glancing at the chief objections urged against bi-metallism. Some will persist in regarding the thing as meaning two standards, and under this view say it is incompatible with that unity which the idea of a standard implies. They say that the standard of value must be a unit, and therefore that gold and silver cannot both be one standard. They cannot see, in regard to these two metals, that a thing may be duplex in its nature and yet one in relation to the purposes for which it is used.

I once argued against this objection as follows :—

1. "The standard of value must be a unit," to which I add the following :—

2. Gold by itself can be thus used, and forms a unit.

3. Silver by itself can be thus used, and forms a unit.

4. Gold is an indestructible metal, and the world's stock is the accumulation of ages, not materially affected by the supply from year to year.

5. Silver is an indestructible metal, and the world's stock is the accumulation of ages, and not materially affected by the supply from year to year.

6. The quantity or weight of gold and silver in the world is estimated to be nearly in the proportion of $15\frac{1}{2}$ of the latter to one of the former.

7. The value of gold results from its being used as money.

8. The value of silver results from its being used as money.

9. Suppose an area where gold was the standard of value, and silver was never seen: and suppose another area where silver was the standard of value and gold was never seen.

10. Suppose that the value, or purchasing power, of each metal in its respective area was found to be at the ratio of $15\frac{1}{2}$ of silver in the silver area to one of gold in the gold area.

11. Suppose now that the barrier between the two areas was removed, and that the gold which had circulated in the one, and the silver which had circulated in the other were each to have free circulation over the combined area.

12. Before this was done an arrangement would be made that the two metals should pass current at the ratio of $15\frac{1}{2}$ to 1; in other words, be freely coined at this ratio for the use of the whole, it being immaterial now how the two metals distributed themselves.

13. This would be in accordance with their already existing relative value, and, while being confirmed by law, it would rest on those natural conditions which fit both gold and silver for being money, give them value, and mark out the respective ratio of the one to the other, as seen in 4 to 8.

14. We thus arrive at money, dual in its nature, but one in relation to all other commodities, and practically a unit.

15. The combined area which I have supposed is the world. International law would secure all that I have described. It is not so much the creation of law that would be seen as its regulative power, keeping order, and simply giving harmony to the forces it controlled.

16. Keeping in view that there can be no "absolute" standard of value, this dual unit must be a steadier standard

than if it were only one metal, as on the principle of average the variations of the two metals thus bound together, as compared with all other commodities, must be less than the variations of one alone.

17. The variations in the value of money, or its purchasing power in relation to all other commodities, prior to 1875 depended on the relation of the annual supply of the precious metals, *gold* and *silver* (less what was wanted for manufacturing purposes), to the expanding requirements of trade for money. When more than this, its value (purchasing power) diminished; when less—either from difference in supply or difference in the wants of trade—it increased.

In spite of theoretic views—and even when the preference of some nations for the scientific standard (!) has been working mischief—the two metals in their aggregate have always practically been the unit measure of value. They form what we call money, and together determine its purchasing power.

It is also often asserted that under bi-metallism the cheap metal would drive out the dear. There is little meaning in this. The fact is that those who make this assertion are living in the past, and using the languge of the earlier economists, who, in the infancy of international commerce, necessarily only viewed the matter from an insular standpoint. They are thinking of particular bi-metallism, and the undoubted evils to which it would be subject. I am no advocate of individual nations becoming bi-metallic. It is universal bi-metallism that is wanted; though, to secure this, it is not necessary that every state should first sign the convention. As I have said before, two or three of the leading nations, including England, could at once bring it into play, and give it all the force of universal law. The advantage would be so manifest however that every other nation which coined silver would also quickly fall into the general arrangement. In the first seventy years of this century partial bi-metallism

practically secured the free passage of gold and silver, and universal bi-metallism would effectually and completely do so. If all nations, or only the leading nations, agreed to freely coin silver and gold at a fixed ratio, there would be no undue pressure on either metal. There would be no cheap or dear market for the one as compared with the other, and, therefore, the supposed evils to which I have referred could not arise.

It is urged as a further objection that bi-metallism would cause great change and lead to great confusion in England. This is altogether a mistake. There would be no change evident to the great mass of her people. Instead of all her silver coins being simply token money as at present, she would have one genuine silver coin—say a double florin or four shilling silver piece, as the French in their system have their pure silver five-franc piece. The present token silver of England could remain as at present. The only difference would be that the reserve in the Bank of England would be partly silver and partly gold. There might be ten millions silver and twenty millions gold, fifteen millions silver and fifteen millions gold, or twenty millions silver and ten gold. Whatever the proportion, the metallic reserve would be there, though I believe that the actual distribution of the metals over the world would continue to be much as it is at present.

I have not referred directly to the rate of relative value which should be fixed, contenting myself with asserting the necessity and practicability of the principle of bi-metallism. The actual rate would have to be settled by an international conference; but, though bi-metallists do not yet positively bind themselves to any definite rate, there cannot be any doubt in the minds of those who have studied the matter that $15\frac{1}{2}$ to 1 would be the rate decided on.

I have tried briefly to show the history of this question—that the movement in favour of bi-metallism is really a conservative movement. That the evils which are resulting and may result if it is not adopted are very great; in disturbing existing values; in cutting down the monetary wealth of the world; and in the fearful disturbance of exchanges between gold and silver countries which it is causing. I have glanced also at the objections urged. I regard them as mainly theoretical and not practical objections—imaginary dangers not real ones. The real difficulty is English prejudice and a false belief in the merits of her present system. The supporters of bi-metallism, however, are slowly but surely increasing, and every day their views are obtaining more attention. It takes time for old prejudices to give way, but give way ere long they must. In the case of individuals, many who were formerly stout opponents have already changed sides, and I hope that these remarks may help some who are anxious to find the truth. Light, to many on this subject, often comes suddenly. In looking through stereoscopic glasses, we often at first see but two confused pictures; but we continue to look, and gradually our eyes adjust themselves to the focus, and all at once, not two, but one beautiful picture, stands out boldly and clearly before our eyes. So I trust it may be with many here who have turned their attention to the subject. From looking at bi-metallism as a double and confused standard they may come to see that it brings into their proper bearings the two sides of the picture, *money*, and grandly unites them in one harmonious whole.

NOTE.—Referring to table on page 7, the figures there given are mainly taken from the Report of the Silver Committee of 1876, the ratio column being supplemented according to the rule there given. Referring to this column Mr. Seyd maintains that up till the period of disturbance the small variations from $15\frac{1}{2}$, which the figures show, can all be accounted for by differences from freight and charges under a variety of circumstances which he enumerates.

The figures on pages 11 and 12 are taken from Mr. Seyd's pamphlet, "The Fall in the Price of Silver." There is a slight error in the detailed amounts of silver given, which a reference to his later work, as it deals with a later period, does not enable me to correct, but it does not affect the broad purpose for which the figures are given.

LETTERS.

I.

MANCHESTER, FEBRUARY 27, 1879.

The silver question, as bearing upon the present commercial depression, must inevitably come to the front. Hitherto the relation of the precious metals has been regarded too much as an abstract question, and commercial men have not given it the thought which they bestow on all other matters affecting their interests. We are proud also of the monetary system that has prevailed in this country for the last sixty years, and suspicious of any changes which might interfere with it. Well, if England were the whole of our commercial world this attitude would be all right, but commercial England is only the centre of a circumference which embraces the globe. Commerce lives by the free circulation of capital as well as commodities, and if there is anything impeding this circulation the very life of our commerce is imperilled. The precious metals are everywhere the main arteries, and also in some measure the life blood by which commerce is fed, and if this becomes impoverished, or if these arteries become clogged and unserviceable there must be weakness and decay.

Until 1875 silver and gold conjointly, in their aggregate volume, were practically one in their relation to this arterial system of the world's commerce, for although silver was always sold in London as a commodity it could also always be exchanged in France at a fixed ratio to gold, and this maintained a practical equilibrium of the two metals, which was not affected even by the enormous increase of gold which resulted from the Californian and Australian gold discoveries, and would not have been affected either by what has after all proved to be only a transient increase in the supply of silver

from the Californian and Nevada mines. In an unfortunate moment, however, Germany, captivated by the views of the English economists, and with the power which the indemnity money gave her,—resolved to demonetise silver. France and the other States of the Latin union naturally became alarmed, and to prevent the demonetised silver being poured into their coffers, and their gold extracted, were obliged in self-defence to restrict the coinage of silver. From that moment silver began to fall. . . . . .

The exchanges of all countries having a silver standard have necessarily followed these violent fluctuations, and every one in this district has watched, or experienced, with a feeling of helplessness, the mischief and loss which these fluctuations have caused. Are we at the end of this uncertainty? Can we accept the present level and take it as a basis; or are there still possibilities of a further fall and further violent fluctuations as disastrous as any we have had? I think that no man who looks carefully at the present position of silver can answer these questions satisfactorily.

We in this district see the thing most vividly in the fluctuation of Exchange rates, but this is only an index of the universal evil to commerce which the present uncertainty is producing. It is checking the outflow of capital in foreign enterprise, and giving undue appreciation to gold, which does not exist in sufficient quantity of itself to supply the place of silver, if we go on further in the mad course of destroying the monetary functions of the latter metal. What has England been doing in these four years during which this has been going on? Simply looking on with the vague hope that the thing would right itself. Will it do so? Can it do so?

The two theories which oppose each other are "mono-metallism," or a single gold standard of value; and "bi-metallism," or a gold and silver standard. England is mono-

metallist, and it is in imitation of her theory that other countries are seeking to demonetise silver. If the theory is a sound one it should be good everywhere, and there should be no cause for alarm from its adoption by other countries; but we cannot even contemplate its further advance without seeing at a glance that it would work ruin for all. Mono-metallism was good for England when the arrangements of other European countries provided practically for bi-metallism existing everywhere else, and for England getting the benefit of this; and unless her commerce is to be ruined, she will be forced ere long to take her part in measures calculated to restore the equilibrium of the two metals. I think our economists are at last beginning to see our danger. France cannot go on as she is doing, heaping up useless silver in the vaults of the Bank of France—(see *Economist* of February 8 1879),—and some rumours have come from India that the authorities there are contemplating action in the direction of mono-metallism. This would be folly of the wildest kind, and I am glad to notice that it has not been allowed to pass unchallenged in Parliament. But if we are to protest against our dependencies following the lead of England in this matter, we must be prepared to let the aid of England be given in restoring the equilibrium of gold and silver.

All that we want is the restoration of the equilibrium to what it was before France and the Latin Confederation restricted their silver coinage, and surely in a matter of common interest to all the countries of the world statesmen should be able to devise means by which this would be secured. We must no longer pooh-pooh the only adequate and practical remedy that has been proposed, viz., bi-metallism, or the general acceptance of silver at a fixed relation to gold, say 15½ to 1, or whatever type might be agreed upon. It is very simple, and on the showing of its promoters only requires the co-operation of this country to carry it into effect, for France

and the Latin Confederation are ready to resume the coinage of silver, and America is also prepared and eager to join in it. And the combination of these alone with England would carry it into force. It would not interfere with the internal circulation of England, for one genuine silver coin would be sufficient to be used in the exchanges with this metal. For a full explanation of the proposal I would refer to pamphlets published by M. Henri Cernuschi.

I long resisted the arguments of those who have been advocates of this change, but I have been obliged to yield to their force. The opposing arguments I think to be more theoretic than real; at all events the great practical urgency of the case makes it imperative on all to demand the immediate attention of our statesmen to the matter.

II.

MANCHESTER, MARCH 18, 1879.

In a letter published in your columns, Bi-metallists are accused of falling out with the accepted principles of political economy, and extracts are given from John Stuart Mill's work, referring to money as a commodity on which an argument against bi-metallism is built up.

For the sake of exactness, it is necessary to reproduce the extracts in question, viz.:—"Money is a commodity, and "its value is determined, like that of other commodities, "temporarily by demand and supply, permanently and on "the average by cost of production." And again, "The "The relations of commodities to one another remain unal- "tered by money," the rule for cost of production of metals being, "the value is determined by the cost of that portion "of the supply which is produced and brought to market at "the greatest expense." The two first extracts are found in the chapter named (book iii., chap. vii.), but the last is not there, and, though gleaned from another portion of the work,

does not, I think, in connection with the sentence interpolated, either fully or adequately represent Mr. Mill's views.

Money is a commodity, and its value is determined by the same general laws as other commodities. This Mr. Mill fully proves, and no one who reads his work can fail to see the force of his reasoning. But this is not the question at issue. J. S. Mill is speaking of money in relation to other commodities, and your correspondent cannot have failed to observe the oft-repeated explanation which Mr. Mill gives throughout the whole of the chapters bearing on international exchange of what he means by the term money, viz., the precious metals, silver and gold. At the beginning of chapter xix. (book iii.) he says specifically, "I shall use the terms, money "and the precious metals, indiscriminately;" and in chapter xxi., under paragraph No. 2, he winds up by saying, "The "result of the preceding discussion cannot better be summed "up than in the words of Ricardo, 'Gold and silver having "been chosen for the general medium of circulation, they "are by the competition of commerce distributed in such "proportions amongst the different countries of the world as "to accommodate themselves to the national traffic which "would take place if no such metals existed, and the trade "between countries were purely a trade of barter.' Of this "principle, so fertile in consequences, previous to which the "theory of foreign trade was an unintelligible chaos, Mr. "Ricardo, though he did not pursue it into its ramifications, "was the real originator. No writer who preceded him "appears to have had a glimpse of it; and few are those who "even since his time have had an adequate conception of its "scientific value." I give the whole of this extract for a further purpose which I have also in view. My first object is to show what Mr. Mill means by the term money, and that the fluctuations of money in the sense he uses the term in relation to other commodities is a distinct question from the

relation of the two metals to each other. The fact is that in Mr. Mill's days bi-metallism practically existed for all purposes of international exchange, and he regarded gold and silver as virtually one in this respect. It was not then understood how it came to pass that the two metals kept so uniform in their relative value, but the fact was accepted, and now we are face to face with the further fact that this oneness was due to an artificial cause, which has ceased to operate, but which bi-metallists assert may readily again be restored.

In the world of science, new facts are every day brought to light, and must be boldly accepted by philosophers; and should not political economists accept and adapt themselves to this portentous new fact, the consequences of which have been so rudely forced upon us? Mr. Mill and the economists of his day had chiefly to do battle with the false theories regarding paper currency, which were then so prevalent. These all sprang from the idea that trade being practically barter, it did not signify whether money was of intrinsic value or not, and I regret to see this fundamental error again coming up in this discussion. It is chiefly for this reason that I have given the full extract from Ricardo and Mill. The trade of the world has a very close connection with the amount of money in existence, and every one reading an article entitled "The Golden Age," in the January number of the *Edinburgh Review*, will be further convinced of this.

Referring to the third of the extracts given by your correspondent, a careful reading of J. S. Mill's works will show that while the exchange value of money is determined by the same laws as other commodities, there is a difference with regard to money itself which must be kept in view, and which prevents the element of cost of production telling so rapidly as in other commodities, the stock of these last being generally not more than a twelve-month's supply in advance of the world's wants, while the stock of money or the precious metals represents

the accumulation of ages, and is not consumed except in small degree for manufacturing purposes. John S. Mill says (in chap. vii., book iii.), "From the durability of gold and silver, "the total quantity in existence is at all times so great in "proportion to the annual supply, that the effect in value, "even with a change in the cost of production, is not sudden, "a very long time being required to diminish materially the "quantity in existence, and even to increase it very greatly "being no rapid process." This is the reason why the precious metals have, on the whole, formed such a steady standard of value.

I will only further refer to the effect of the fall of silver on commercial transactions as represented by the illustration which your correspondent gives in connection with the article of tea. This illustration is quite clear, and the inference from it, that England as an importer of foreign produce does not suffer from the variations of foreign exchange, is perfectly correct, and if this embraced all the commerce of England, we would not require to bother our heads about the matter; but England is a seller of manufactured goods in foreign countries, as well as an importer of foreign commodities. The English merchant established abroad, representing England, when acting on limits in buying produce, is indifferent whether the cost of the article at the moment, in sterling, is based on a higher or lower rate of exchange. The rate of exchange enters into his estimate; but this rate affects all his competitors, and the simple question with him is whether he can buy produce at a price that will bring it out in sterling, either "on board" or in England, at the figure of his limit. The same merchant, however, selling goods, is in a very different position. He sells them in the currency of the country, and prices there are regulated by demand and supply; the cost price, until it gradually affects the supply, not affecting the price abroad. His price, therefore, does not move with the

fluctuations of exchange, and when he sells on credit, as is usually the case, he is exposed to further loss from any fall of exchange which might take place before his sales matured. In consequence of the present disturbance of exchange with silver countries, instructions are everywhere sent to foreign correspondents, "Sell on prompt terms, or, if you must give "credit, discount your sales and remit proceeds at once, so "as to avoid risks of exchange." The effect of this, in another view of it, is to restrict the facilities of our customers, just the same as if the retailers of this country were told that in place of getting three or four months' credit, they must henceforth pay for everything cash down. This is only one of the many ways in which our foreign customers are crippled by the withdrawal of English capital from foreign enterprise.

While on this point, perhaps, as John Stuart Mill has been referred to, you will permit me further to quote one of his fundamental propositions regarding capital (book i., chap. v.), "Capital is kept up not by preservation, but by perpetual "reproduction." England's wealth has resulted largely from the fruitful employment of her capital in foreign enterprise. She cannot live on herself, and if she attempts to hoard her capital, or employ it unduly in home enterprise, it will disappear as effectually as if lent to rotten governments. The revulsion against foreign enterprise which set in four years ago, supplied the capital and gave the power to promoters of manufacturing and mining companies, which resulted in the unwise and undue expansion of so many industries which we see overdone and prostrate to-day. Foreign commerce, like mercy, is "twice blessed." It has blessed England, and it blesses those countries with which England has traded; her capital has permanently developed their productive powers, and enabled them to pay for English manufactures, and this not only by public enterprises, but also and far more largely by the individual action of British merchants scattered

over the globe. We have established ourselves often where there seemed at first nothing to pay for what we could supply, but by patient and kindly aid we have seen industries grow apace, which ere long gave a rich reward for our prudent outlay. England cannot be indifferent with regard to the prosperity of her foreign commerce, and when we reflect that nearly nine-tenths of the cotton goods produced in this district (Ellison, 1877) are supplied to foreign markets, we must all see that it is a question of pressing importance here, and the necessity of putting ourselves again in harmony with the silver-using countries, and permitting the free circulation of capital, should be a matter of the first moment to all.

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